News and Notes on 2016 Mid-Year RIAA Music Shipment and Revenue Statistics

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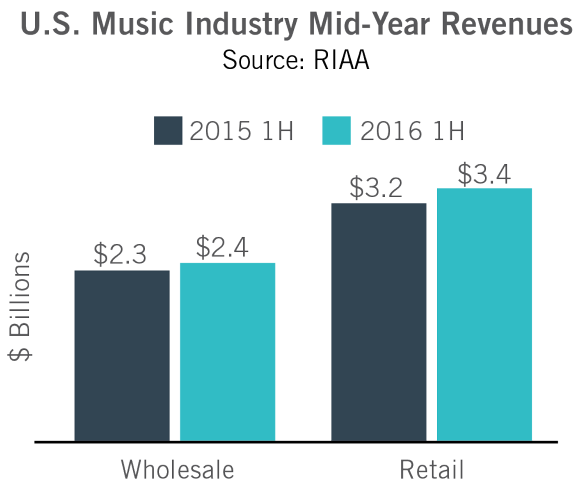
For the first half of 2016, strong growth in revenues from subscription streaming services more than offset declines in unit based sales of physical and digital music download products. Overall revenues at retail increased 8.1% on a year-over-year basis to $3.4 billion, the strongest industry growth since the late 1990's. At wholesale, value increased 5.7% to $2.4 billion.

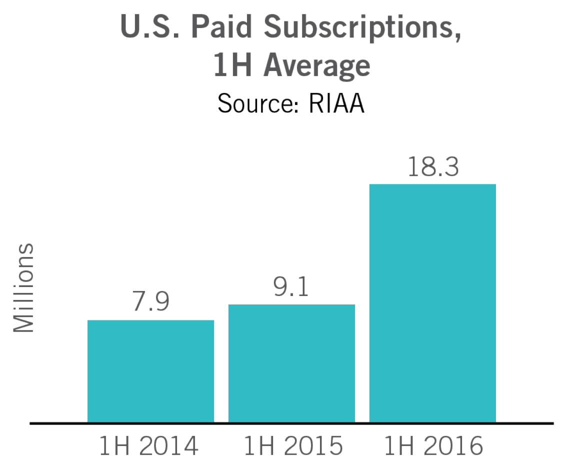
Figure 1



Revenues from streaming services continued to grow strongly both in dollars and share of total revenues. First half (1H) 2016 streaming music revenues totaled $1.6 billion, up 57% year-over-year, and accounted for 47% of industry revenues compared with 32% in 1H 2015. This category includes revenues from subscription services (such as Apple Music, TIDAL and paid versions of Spotify, among others), streaming radio service revenues that are distributed by SoundExchange (like Pandora, SiriusXM, and other Internet radio), and other non-subscription on-demand streaming services (such as YouTube, Vevo, and ad-supported Spotify).

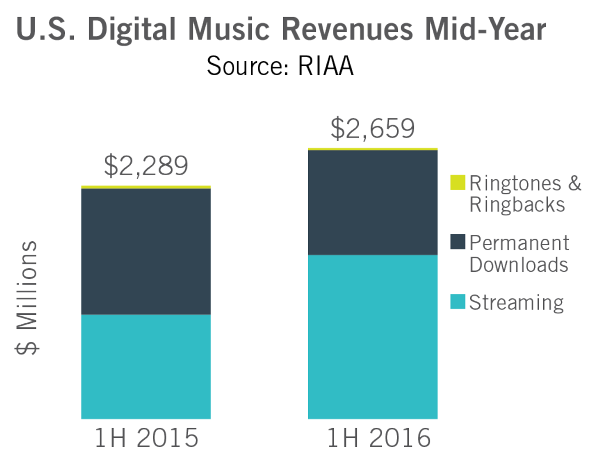
Paid subscriptions experienced massive growth in the first half of 2016. The entrance of new services like Apple Music and TIDAL, and growth from services like Spotify Premium, helped both revenues and the number of paid subscriptions more than double versus the prior year. First half revenues from subscription music streaming services surpassed $1 billion for the first time, growing 112% to $1.01 billion.

Figure 2



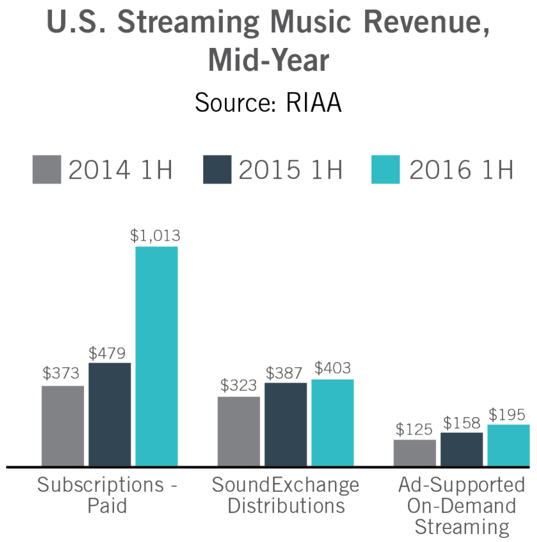
Subscriptions alone accounted for 30% of industry revenues for the first half of 2016, and the number of paid subscriptions grew 101% to average 18.3 million for the same period. The revenue growth from subscriptions alone more than offset the declines from physical sales and permanent digital downloads.

Figure 3



All three formats of streaming music had revenue growth in the first half of 2016. SoundExchange distributions grew 4% to $403 million, an all-time high for the first half of the year. On-demand ad-supported streaming grew 24% y-o-y to $195 million.

Figure 4



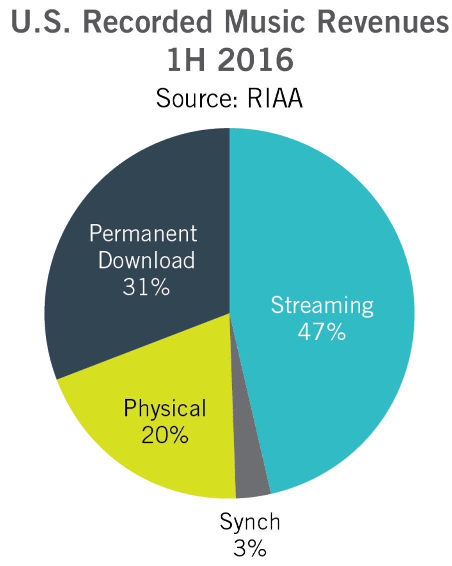
The total value of digitally distributed formats was $2.7 billion – up 16% compared to the 1H of 2015. Digital accounted for 80% of the overall market by value, compared with 74% for 1H 2015 (note Synchronization excluded from this figure).

Revenues from permanent digital downloads (including albums, single tracks, videos, and kiosk sales) declined 17% to $1.0 billion for the first half of 2016. Digital albums continued the trend of outperforming individual tracks. The total value of digital albums was $500 million, down 11% versus the same period the prior year, and digital album units were down 15% to 48.2 million. Digital track sales declined by value 22% to $520 million, with sales volume down 22% to 432 million units.

The total value of shipments in physical formats was $672 million, down 14% versus 1H 2015. CDs made up 66% of total physical shipments by value. Vinyl albums were down 6% by value for the first half of the year, and accounted for 31% of physical shipments by value. Synchronization royalties were $100 million for the first half of the year, virtually flat versus 1H 2015.

These first half 2016 results illustrate the emergence of paid subscriptions as a primary revenue driver for the United States music industry. For the first time, paid subscriptions were virtually on-par with paid downloads as the biggest single format revenue source. Streaming became the overall largest revenue contributor by a wide margin.

Figure 5



Note – 2015 data has been updated.

Please note that the RIAA presents the most up-to-date information available in its industry revenue reports and online statistics database: https://www.riaa.com/u-s-sales-database.

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202-775-0101

2016 Mid-Year Industry Shipment and Revenue Statistics

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United States Unit Shipments and Estimated Retail Dollar Value (In Millions, net after returns)

	1H 2015	1H 2016	% CHANGE 2015-2016
DIGITAL PERMANENT DOWNLOAD			
(Units Shipped) (Dollar Value) **Download Single**	554.5 $665.2	432.0 $519.5	-22.1% -21.9%
Download Album	56.4 $564.7	48.2 $500.1	-14.5% -11.4%
Kiosk[1]	1.2 $2.0	1.0 $1.7	-19.2% -18.1%
Music Video	1.8 $3.6	1.4 $2.8	-23.0% -23.0%
Ringtones & Ringbacks	11.8 $29.3	9.1 $22.7	-22.6% -22.6%
DIGITAL SUBSCRIPTION & STREAMING			
SoundExchange Distributions[2]	$387.2	$403.4	4.2%
Paid Subscription[3]	9.1 $478.6	18.3 $1,013.1	100.7% 111.7%
On-Demand Streaming (Ad-Supported)[4]	$158.2	$195.4	23.6%
TOTAL DIGITAL VALUE	$2,288.9	$2,658.7	16.2%
Synchronization Royalties[5]	$101.0	$100.4	-0.6%
PHYSICAL			
(Units Shipped) (Dollar Value) **CD**	43.8 $531.0	38.9 $443.9	-11.2% -16.4%
CD Single	0.3 $0.8	0.0 -$0.1	-109.1% -116.4%
LP/EP	9.2 $221.1	8.4 $207.1	-9.1% -6.3%
Vinyl Single	0.4 $4.2	0.3 $3.2	-28.2% -23.9%
Music Video	1.2 $23.9	0.8 $15.8	-32.8% -34.0%
DVD Audio	0.1 $2.4	0.0 $1.5	-47.1% -39.6%
SACD	0.0 $0.4	0.0 $0.5	13.8% 39.5%
Total Physical Units **Total Physical Value**	**55.0** **$783.9**	**48.4** **$671.9**	**-12.0%** **-14.3%**
Total Retail Units **Total Retail Value**	**47.4** **$727.4**	**41.0** **$631.5**	**-13.5%** **-13.2%**
TOTAL DIGITAL AND PHYSICAL			
Total Units[6] **Total Value**	**680.6** **$3,173.8**	**540.0** **$3,431.0**	**-20.7%** **8.1%**
% of Shipments[7] Physical Digital	**1H 2015** 26% 74%	**1H 2016** 20% 80%	

For a list of authorized services see **www.whymusicmatters.com**

Retail Value is the value of shipments at recommended or estimated list price
Formats with no retail value equivalent included at wholesale value

Historical data updated for 2015
[1] Includes Singles and Albums
[2] Estimated payments in dollars to performers and copyright holders for digital radio services under statutory licenses
[3] Streaming, tethered, and other paid subscription services not operating under statutory licenses
Subscription volume is average number of subscriptions for subscription services
[4] Ad-supported audio and music video services not operating under statutory licenses
[5] Includes fees and royalties from synchronization of sound recordings with other media
[6] Units total includes both albums and singles, and does not include subscriptions or royalties
[7] Synchronization Royalties excluded from calculation